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\$3.4 Billion in Road Funds in Jeopardy

If the governor's budget passes, the Southland will see projects delayed and a dire ripple effect, planners say.

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If Gov. Arnold Schwarzenegger's budget wins legislative approval, Southern California stands to lose at least \$3.4 billion in transportation funding over the next six years, with an even worse snowball effect, say planners and analysts: the likelihood of lost jobs, more air pollution and a drag on the region's economy.

In fact, the analysts say, even the \$3.4-billion figure is understated, since reduced state funding would result in fewer federal dollars for transportation improvements.

Worsening congestion would mean longer delays for motorists and higher costs of doing business. And the longer a project is postponed, experts say, the more it will probably cost in the future.

"You get into a very vicious cycle," said Mark A. Pisano, executive director of Southern California Assn. of Governments. "If we don't build new infrastructure, we're likely to further dampen economic growth and development in the state. This will have ripple effects to other sectors."

Sunne Wright McPeak, the state secretary of Business, Transportation and Housing, said that the governor realizes the need for transportation improvements but cuts are needed first "to get California's fiscal house in order."

Schwarzenegger is seeking to suspend Proposition 42 during the 2004-05 fiscal year and divert about \$1.1 billion of the voter-approved gas-tax revenue, which had been intended for transportation, into the state's general fund. The plan is part of the governor's larger strategy to help re-

duce a \$15-billion budget shortfall.

He also proposes scrapping the Transportation Congestion Relief Program, which has been relying on Proposition 42 revenue to fund about 150 projects ranging from the Alameda Corridor East freight railway to freeway improvements across the region.

Schwarzenegger's administration could not provide an estimate for the total economic effects of the transportation reductions.

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\$3.4 Billion in Southland Transportation Funds at Risk

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"We recognize that there's an impact, but an extended economic analysis was not conducted," said Sue Bost, a Department of Finance administrator who helped develop the plan. "We did not come up with numbers."

Others did. A SCAG analysis projects that wiping out the Transportation Congestion Relief Program, which provides long-term planning and financing for transportation projects, would cost Southern California \$3 billion over the next six years, the standard period in the federal transportation budget cycle.

The region stands to lose an additional \$400 million if the Schwarzenegger administration prevails in its request to use transportation money to pay down some old highway and rail bonds that the state originally intended to repay from its general fund.

Those reductions, combined with other funding losses that would mostly be triggered by the governor's proposed cuts, could result in 60,000 fewer jobs a year in Los Angeles, Orange, Ventura, San Bernardino, Riverside and Imperial counties, according to SCAG, the planning agency for the region.

"We're all on pins and needles," said Gary Gallegos, executive director of the San Diego Assn. of Governments. "I've been in this business for over 27 years. I've seen ups and downs. But this is the worst I've ever seen it. There's no money coming out of Sacramento."

For Los Angeles County, the cuts would mean that numerous congestion-relief projects — ranging from synchronizing traffic signals in the San Fernando Valley to widening the Santa Ana Freeway from the Orange County line to the 605 — would be delayed for at least an additional five years, according to the Metropolitan Transportation Authority, who conducted the study for the MTA.

Local transportation officials say they are particularly alarmed that Schwarzenegger seeks to take back funding that the state had already allocated.

Putting the brakes on such projects could cost the county's economy \$4 billion in lost business output because of the effect on companies and individuals hired to provide goods and services — from construction workers to architects to cement sellers to clerical support staff —

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according to an analysis by the Los Angeles Economic Development Corp.

"These projects do a tremendous amount of business creation," said Wally Baker, senior vice president of the organization, who conducted the study for the MTA.

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The Alameda Corridor East Construction Authority, for example, relied on the state's allocation to award several engineering design contracts for building road underpasses.

"We could be liable for damages if we cancel ongoing contracts," said Sharon Neely, director of transportation policy for the authority, which recently halted construction of four grade-separation projects in the San Gabriel Valley because of anticipated state funding shortfalls.

In the complicated world of transportation finance, every state dollar that is lost can cause a spiral of lost federal matching funds.

"We need state money to match federal money, or we'll lose it to other states," said Neely, whose project could lose up to \$20 million in federal funds over

the next five years if it cannot amass enough state and local seed dollars.

Federal support, which makes up 25% to 30% of the region's transportation spending, is also contingent upon compliance with air-quality laws — and those goals probably can't be met without reducing emissions through the very congestion-relief projects likely to hit the chopping block.

If the Legislature approves the governor's proposed cuts, Southern California won't be able to complete major congestion-relief projects, such as the Alameda Corridor East, by a federally mandated deadline of 2010, which means the region will be in violation of clean-air laws and could lose as much as \$8 billion in federal aid, Pisano said.

Pisano said that if cities and counties are worried about losing federal money over the air-pollution issue, then the municipalities should try to finance big projects themselves. One way to do that, she said, would be to sell a bond to borrow against future federal transportation allocations.

In fact, the Schwarzenegger administration proposes that \$800,000 in such bonds be sold next year to help make up for money diverted into the state general fund.

Analysts say such bonds can be a good cash management tool. "But if all you're doing is borrowing huge amounts of money for your projects, all you do is push your problems off into the future," said Dan Beal, transportation policy manager for the

Automobile Club of Southern California.

Under the governor's plan, Southern California probably would grow smogger and public health would worsen, say, regional planners. When congestion increases, cars idle longer, resulting in more air pollution. That could cost the region \$1 billion to \$2 billion more each year in medical expenses and early deaths from such diseases as asthma and lung cancer, SCAG projects.

Defering projects also means the public probably would have to pay more later for the same improvements, experts say. A project that had passed the environmental review stage, for example, would need to have its data updated and reports revised if it encountered too many delays. Streets that aren't repaved or repaired on a timely basis will fall apart sooner, and the required reconstruction will cost several times more than routine maintenance.

Interrupting work on a major project, such as the Santa Ana Freeway widening, would incur additional costs because of rising real estate prices and the extra effort needed to end and then restart all the engineering work, said Jim de la Loza, MTA's executive officer for planning. The governor's plan is a "quick stop-gap measure to create the illusion of a balanced budget," said Los Angeles County Supervisor Zev Yaroslavsky, chairman of the MTA board. "But the price we pay for it will be realized over the years ahead. It's not a pretty picture."

Times staff writer Kurt Shree-ter contributed to this report.